

Capital Goods

HDT sales +29% YoY in Jun, better than expectation

According to the preliminary data released by Cvwworld, HDT wholesale volume (domestic + export) surged 29% YoY to 92k units in Jun, driven by both diesel and new-energy HDTs, which is above our expectation. We believe the underlying driver for the strong growth was the implementation of truck replacement subsidies launched in Mar (for details, please find our publication *"New subsidies on truck replacement cover NES IV and natural gas trucks; +ve to Weichai"* [\[link\]](#)). The strong data point reaffirms our positive stance on HDT sector this year. We maintain our full-year HDT sales growth estimate of 10%. We believe both **Weichai Power (2338 HK/000338 CH, BUY)** and **Sinotruk (3808 HK, HOLD)** will benefit from the favourable sector trend in 2H25E.

- **Recent recovery of HDT sales volume likely driven by policy.** The sales volume growth in Jun represented growth for three consecutive months (7%/14%/29% in Apr-Jun), following a 3% YoY decline in 1Q25. We believe the improvement in 2Q was driven by the replacement subsidies that cover NES IV HDTs (which account for ~30% of the total fleet size based on estimates). In 1H25, HDT sales volume grew ~6% YoY to 533k units. We believe the sector is on a good track to reach our full-year estimates of 10% YoY growth.

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China Capital Goods Sector

Wayne FUNG, CFA

(852) 3900 0826

waynefung@cmbi.com.hk

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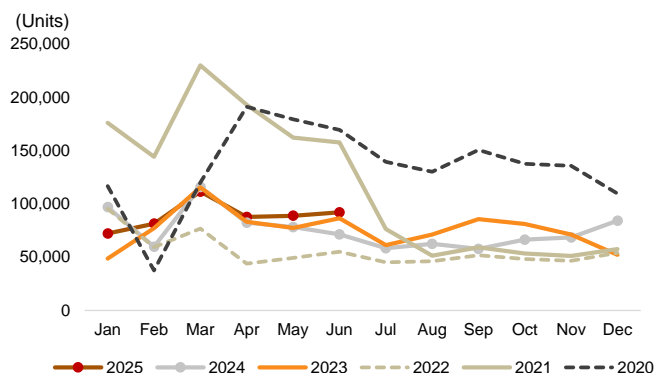
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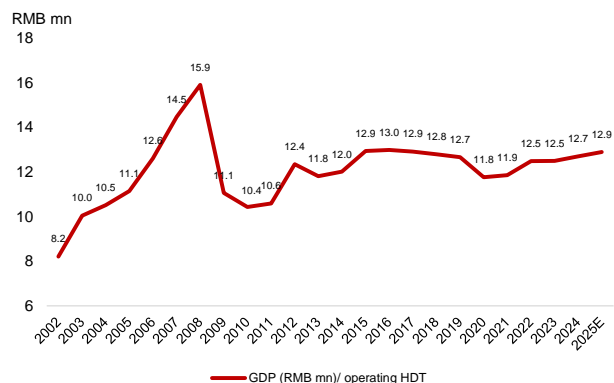
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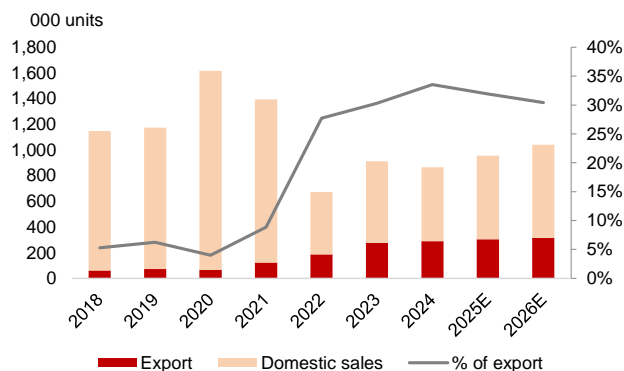
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Figure 1: China HDT monthly sales volume

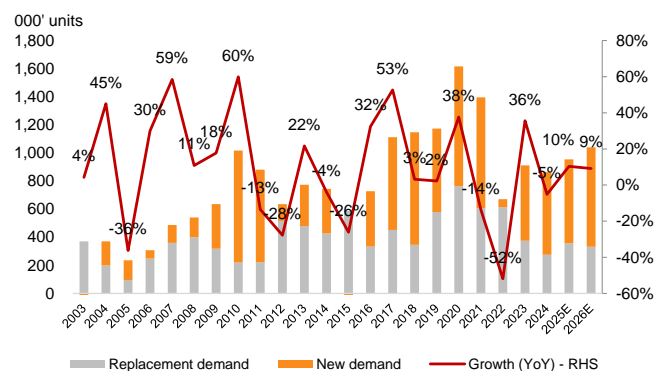
Source: Cvworl, Wind, CMBIGM
 Note: Domestic sales + exports

Figure 2: China GDP per unit of operating HDT

Source: Cvworl, Wind, CMBIGM estimates

Figure 3: Domestic sales and exports of HDTs

Source: Wind, CMBIGM estimates

Figure 4: CMBIGM HDT sales projection

Source: Cvworl, Wind, CMBIGM estimates
 Note: China's domestic sales + exports

Figure 5: Comparison of investment return between diesel and LNG trucks

Diesel		LNG	
Operating assumptions			
Transport service income (RMB / tonne km)	0.27	Transport service income (RMB / tonne km)	0.27
Capacity (tonne)	30	Capacity (tonne)	30
Operating days / month	20	Operating days / month	20
Daily transportation distance (km)	500	Daily transportation distance (km)	500
Diesel consumption (litre / 100 km)	30	Gas consumption (kg / 100 km)	30
Diesel price (RMB /litre)	6.8	Gas price (RMB/kg)	4.6
Urea expense (RMB / 100 km)	11.25	Urea expense (RMB / 100 km)	0
Maintenance expense (RMB / 100 km)	60	Maintenance expense (RMB / 100 km)	60
Toll fee per vehicle (RMB/km)	2.2	Toll fee per vehicle (RMB/km)	2.2
Monthly wage of a driver (RMB)	9,000	Monthly wage of a driver (RMB)	9,000
Tax rate (%)	25%	Tax rate (%)	25%
Capex			
Truck purchase price (RMB)	320,000	Truck purchase price (RMB)	400,000
Years of depreciation	5	Years of depreciation	5
VAT rate	17%	VAT rate	17%
VAT (RMB)	54,400	VAT (RMB)	68,000
Total purchase price (RMB)	374,400	Total purchase price (RMB)	468,000
Profitability			
	(RMB)		(RMB)
Revenue (annual)	931,500	Revenue (annual)	931,500
Expense:		Expense:	
Diesel	-245,160	Natural gas	-164,520
Urea	-13,500	Urea	0
Depreciation	-64,000	Depreciation	-80,000
Maintenance	-72,000	Maintenance	-72,000
Toll fee	-253,000	Toll fee	-253,000
Driver wage	-108,000	Driver wage	-108,000
Insurance and others	-20,000	Insurance and others	-20,000
Pre-tax profit	155,840	Pre-tax profit	233,980
Tax	-38,960	Tax	-58,495
Net profit	116,880	Net profit	175,485
Payback period (year)	3.2		2.7

Source: CMBIGM estimates

Figure 6: Sensitivity of payback period to diesel price

	Transport service income (RMB / tonne km)				
	0.243	0.2565	0.27	0.2835	0.297
5.4	4.5	3.2	2.4	2.0	1.7
6.1	5.7	3.7	2.8	2.2	1.8
Diesel price	6.8	8.0	4.6	3.2	2.5
(RMB/litre)	7.5	13.1	5.9	3.8	2.8
8.2	36.6	8.3	4.7	3.3	2.5

Source: CMBIGM estimates

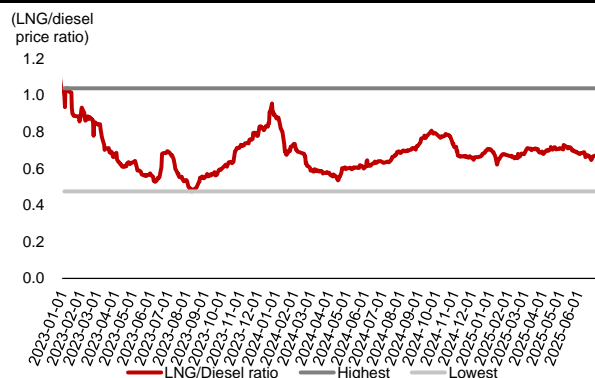
Note: For diesel truck

Figure 7: Sensitivity of payback period to LNG price

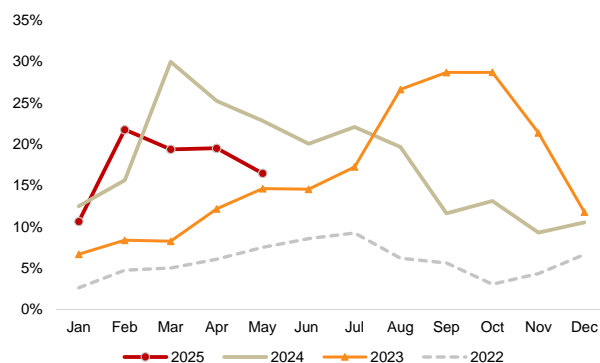
	Transport service income (RMB / tonne km)				
	0.243	0.2565	0.27	0.2835	0.297
3.7	3.6	2.8	2.3	2.0	1.7
4.1	4.0	3.1	2.5	2.1	1.8
LNG price	4.6	4.4	3.3	2.7	2.2
(RMB/kg)	5.0	5.0	3.7	2.9	2.4
5.5	5.8	4.0	3.1	2.5	2.1

Source: CMBIGM estimates

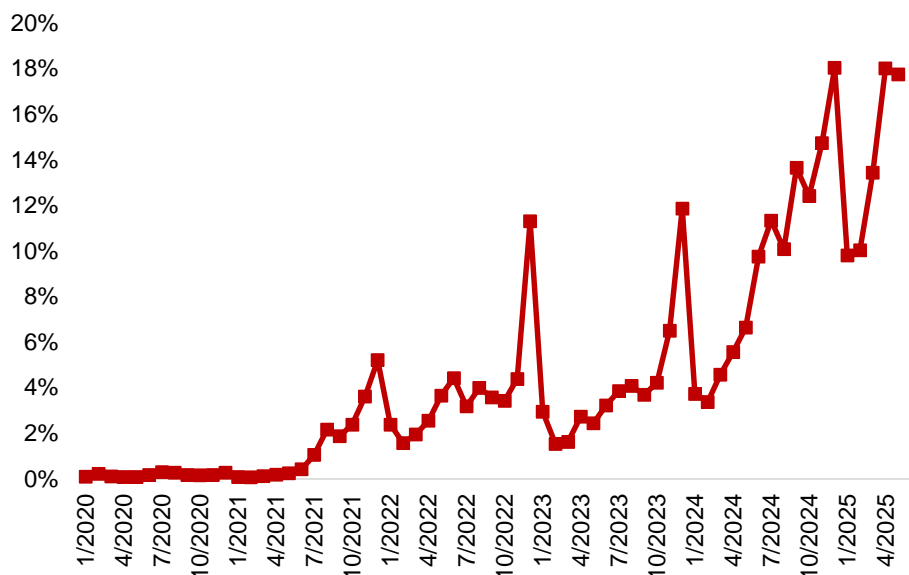
Note: For LNG truck

Figure 8: LNG/diesel price ratio

Source: Wind, Bloomberg, CMBIGM estimates

Figure 9: Natural gas HDTs as % of total HDTs sold

Source: Wind, Cvworl, CMBIGM

Figure 10: Electric HDTs as % of total HDTs sold

Source: CVworld, CMBIGM

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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